Mortgage Credit Certificate Rates by Mortgage Amount

Mortgage Amount	Tax Credit Rate
$50,000 and less	35%
$50,001 to $70,000	30%
$70,001 to $90,000	25%
$90,001 and more	20%

Can You Afford To Turn Down An Extra $135 Per Month?

If you're planning to purchase your first home, the Indiana Housing and Community Development Authority can help you put money back in your wallet or pocketbook with a Homeownership Tax Credit (also known as a federal Mortgage Credit Certificate, or MCC).

Here's how the Homeownership Tax Credit works. You obtain a mortgage through a participating lender. In addition to your mortgage, you will receive a certificate that offers you a federal tax credit of up to $2,000 per year. A tax credit is more valuable than a tax deduction because it lowers your actual tax liability, rather than your taxable income.

The size of your Homeownership Tax Credit will vary based upon your mortgage amount. On a $60,000 loan, you will receive a credit of 30 percent of the interest that you pay. For example, if your mortgage's annual interest rate is 9 percent, you will pay $5,383 in interest during the first 12 months and will receive a Homeownership Tax Credit worth $1,615. This averages out to approximately $135 per month.

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Mortgage Credit Certificate

2006

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What Is The Purpose of the Homeownership Tax Credit?

Indiana's Mortgage Credit Certificate (MCC), was created in 1987 to benefit middle and lower-income home buyers. Administered by the Indiana Housing and Community Development Authority, the Homeownership Tax Credit allows qualified home buyers to lower their federal income tax liability for as long as they hold the original mortgage on their home (up to 30 years).

The purpose of this program is to make home ownership more affordable for first-time buyers. This program was designed to provide the consumer with as much flexibility as possible, since it may be applied to all types of loans (fixed-rate, adjustable rate, conventional, FHA, VA, etc.).

Federal law does not allow the mortgage credit certificate to be used in conjunction with a mortgage financed by IHCDA's low-interest 1st HomePlus. But, the mortgage credit certificate can be packaged with other competitive mortgage products, such as zero down-payment loans offered by the Farmers Home Administration (FmHA) to citizens in smaller communities. In metropolitan, areas some home builders may help you reduce up-front expenses by paying a portion of your closing costs, or your 1% application fee.

Who Qualifies for Credit?

To qualify for this credit, your household income must be below certain limits, which vary by county. Please visit our Web Site at www.indianahousing.org .

What Is The Credit Amount?

Your Homeownership Tax Credit amount will range between 20 percent and 35 percent of the interest that you pay on your mortgage each year, depending on the mortgage loan amount. The maximum credit per year is $2,000. Since your interest payments change overtime, your credit also will vary from one year to the next.

How Does The Process Work?

Step 1- Meet with a participating lender who can help you determine whether you may qualify for a Homeownership Tax Credit based on your household income and the purchase price of the home you plan to buy.

Step 2- If you believe you qualify, contact a professional tax consultant or accountant who can help you make the most effective use of your tax credit. Internal Revenue Service literature references the Homeownership Tax credit program as Mortgage Credit Certificates or MCCs.

Step 3 – When you apply for a mortgage, tell your participating lender that you also would like to apply for a MCC tax credit. The application fee is equal to one percent of your mortgage loan amount.

Step 4 – Prior to your mortgage closing, be sure that your lender has preliminary approval for your credit from IHCDA. After closing, you will receive a certificate confirming your credit.

Step 5 – Take your certificate and your information sheet from IHCDA to your tax advisor and ask about adjusting your 1040's.

Can I Qualify For A Credit If I Already Own A Home?

Homeownership Tax Credits cannot be applied to existing mortgages. Although the tax credit program was created primarily to assist first-time buyers, the federal government has agreed to waive this requirement in certain targeted communities. The targeted areas include the following 30 counties:

Brown, Clinton, Crawford, Daviess, Dearborn, Decatur, Fayette, Franklin, Fulton, Greene, Jackson, Jasper, Jefferson, Knox, Lawrence, Miami, Ohio, Orange, Owen, Parke, Perry, Pike, Rush, Scott, Shelby, Spencer, Vermillion, Vigo, Washington, Wayne.

The first-time requirement also is waived in portions of the following cities. Fort Wayne, Gary, Hammond, Anderson, Indianapolis, Bloomington, South Bend, Lafayette/West Lafayette and Evansville.

If you are interested in purchasing a home in a targeted area, you still will have to meet household income and purchase price requirements. Participating lenders maintain information that explains which portions of the cities are targeted.